

**REPORT/RECOMMENDATION TO THE BOARD OF SUPERVISORS
OF SAN BERNARDINO COUNTY, CALIFORNIA
AND RECORD OF ACTION**

August 31, 1999

**FROM: THOMAS R. LAURIN, DIRECTOR
DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT**

**SUBJECT: RESOLUTION TO PARTICIPATE IN THE FANNIE MAE DOWN PAYMENT
ASSISTANCE INVESTMENT NOTE PROGRAM**

RECOMMENDATION: Adopt resolution that 1) Authorizes the Department of Economic and Community Development (ECD) to investigate and apply for the County's participation in the Fannie Mae Down Payment Assistance Investment Note Program for a period to be negotiated with Fannie Mae and usually involving an origination period of not to exceed one year with a ten-year amortization period for any second mortgages that are originated under the program (Fannie Mae Program); 2) Authorizes the use of \$100,000 in Housing Trust Funds as collateral for the repayment of any second mortgages originated under the proposed Fannie Mae Program; 3) Approves Preston Gates & Ellis LLP to provide legal services for this matter; and, 4) Authorizes other related actions in applying for the program with Fannie Mae.

BACKGROUND INFORMATION: Although the County currently administers a down payment assistance program for low-and moderate-income homebuyers, there is currently no such program for buyers at or slightly above median income. This pool of potential homebuyers is of special interest to developers whose products are marketed to this income level. The Fannie Mae Down Payment Assistance Investment Note Program was developed by Fannie Mae to fill this gap.

ECD intends to incorporate the Fannie Mae program into a local program whereby developers may utilize bond proceeds from either the County's existing 1999 Single Family Mortgage Revenue Bonds Program or conventional mortgages originated from sources other than bond proceeds, with the proposed Fannie Mae Down Payment Assistance Program in order to facilitate the sale of affordable single family residences. Fannie Mae funds would be used to make second mortgage loans to provide down payments for eligible households. In order to facilitate the County participation in the Fannie Mae Program, the County would need to set forth as collateral an amount equal to 20% of the Fannie Mae Program commitment. ECD proposes that \$100,000 be allocated from the Housing Trust Fund (which is funded with developer fees with respect to the County's assistance with the development of low-and moderate-income housing) as collateral for an initial allocation of \$500,000 in Fannie Mae Program funds.

Adoption of this resolution will allow the Department to proceed in negotiations with Fannie Mae to obtain \$500,000 in program funding for this affordable housing activity. An agreement with Fannie Mae will then be developed and presented to the Board for consideration and approval in the near future.

Record of Action of the Board of Supervisors

**RESOLUTION TO PARTICIPATE IN THE FANNIE MAE DOWN PAYMENT ASSISTANCE
INVESTMENT NOTE PROGRAM**

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Preston Gates & Ellis LLP which acted as Bond Counsel on the 1997 and 1999 bonds is recommended in the resolution as bond counsel to assist with the development of the County's Fannie Mae Program.

REVIEW BY OTHERS: The program and resolution have been reviewed by the County's Housing Administrator Wolf & Co., Bond Counsel, Preston Gates & Ellis LLP, the Financial Advisor Kinsell, Newcomb & De Dios, Inc. and Deputy County Counsel Michelle Blakemore on August 5, 1999.

FINANCIAL IMPACT: This action has no impact on the County General Fund, the Community Development Block Grant or the HOME Program. Funds from the Housing Trust Fund (\$100,000) will be used as collateral to obtain the \$500,000 funding commitment from Fannie Mae. In the event that a mortgagor fails to repay the second mortgage obligation, the County's funds would be drawn upon to repay the mortgage to Fannie Mae. The collateralized funds will remain available for as long as the Fannie Mae Program loans are outstanding, then returned, less any amount paid for defaults, to the County.

SUPERVISORIAL DISTRICT(S): All.

PRESENTER: Thomas R. Laurin, Director, 388-0808.